



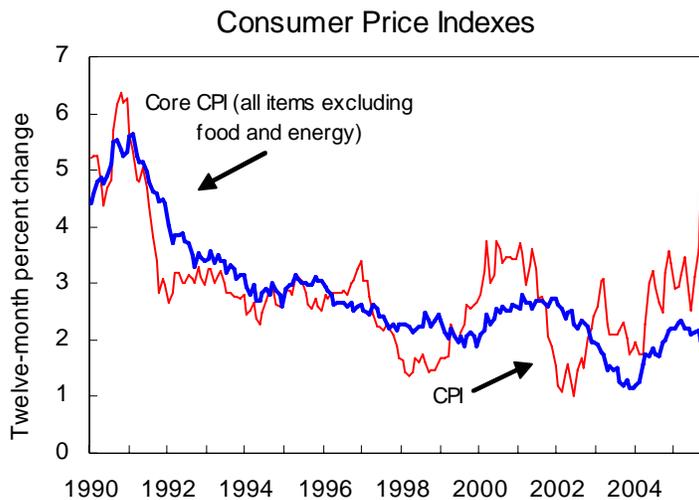
WEEKLY ECONOMIC DIGEST



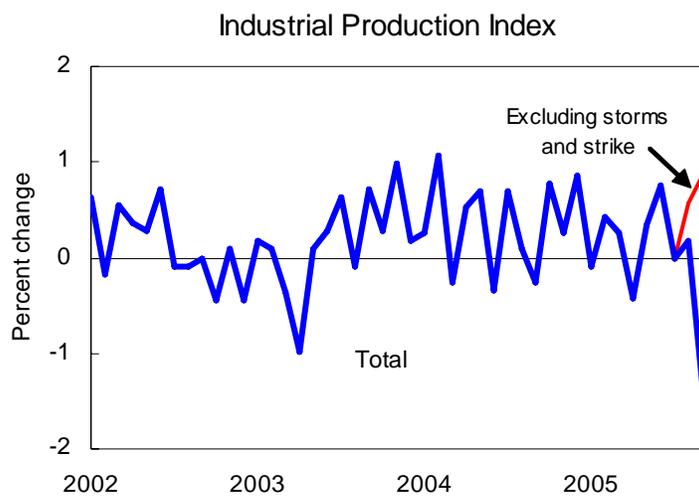
JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

October 18, 2005

Economic Data Still Dominated by Energy Prices and Hurricane Effects



Source: Bureau of Labor Statistics, U.S. Department of Labor.



Source: Board of Governors, Federal Reserve System and JEC Democratic Staff.

- **Soaring energy prices propelled September's rise in consumer price inflation.** The consumer price index (CPI) rose by 1.2 percent last month, as energy prices posted a record monthly gain of 12 percent. In contrast, the core CPI (which excludes the volatile effects of food and energy prices) rose by just 0.1 percent for the fifth consecutive month. The CPI was 4.7 percent above its level last year while the core CPI was only 2.0 percent higher (see top chart).
- **Workers' earnings continued to lag behind inflation.** The rise in the overall CPI swamped the 0.2 percent rise in the hourly earnings of production and other nonsupervisory workers in private nonfarm establishments last month. Over the past 12 months, real (inflation-adjusted) average hourly earnings fell by 2.4 percent.
- **Industrial production fell sharply in September, largely due to the storms.** Output at the nation's factories, utilities, and mines fell by 1.3 percent in September. That was the largest monthly decline since the start of 1982 and it reflected the combined effects of the hurricanes and, to a lesser extent, a strike at Boeing. Storm-related production declines reduced growth in overall production by an estimated 1.7 percentage points last month. The Boeing strike reduced overall production growth by 0.5 percentage point. Those estimates suggest that production growth would have been a sturdy 0.9 percent in September, absent the storms and the strike (see bottom chart).
- **Automotive sales were down, but gasoline purchases were up in the September retail sales data.** Sales for retail and food services establishments rose by 0.2 percent last month, but that included a 2.8 percent drop in sales at motor vehicle and parts dealerships. Excluding automotive sales, sales rose by 1.1 percent. That growth reflected a 4.0 percent gain in sales at gasoline stations and a solid 0.6 percent gain in other nonautomotive sales.

The Economy at a Glance	Sep	Aug	Jul	Jun	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004	2003
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	3.3	3.8	3.3	4.2	2.7
Industrial Production (% growth)	-14.5	2.4	0	10.0	1.3	1.4	3.6	4.5	4.2	0
Capacity Utilization (level, %)	78.6	79.8	79.7	79.8	79.4	79.4	79.3	78.8	78.1	75.5
Civilian Unemployment Rate (level, %)	5.1	4.9	5.0	5.0	5.0	5.1	5.3	5.4	5.5	6.0
Housing Starts (thousands)*	n.a.	2009	2035	2065	n.a.	2044	2083	1973	1950	1854
Real Disposable Personal Income (% growth)	n.a.	-6.2	0.9	4.7	n.a.	1.5	1.0 [#]	4.3 [#]	3.1 [#]	2.4
Retail Sales (% growth)	2.9	-20.2	22.4	24.6	6.7	10.8	6.0	9.8	7.3	4.3
Personal Saving Rate (level, %)	n.a.	-0.7	-1.1	-0.3	n.a.	0.1	0.5	1.2 [#]	1.5 [#]	2.1
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	15.4	6.2	6.2	0	5.1	4.2	2.4	3.6	2.7	2.3
Core CPI-U Inflation (% growth)	1.2	1.2	1.2	1.2	1.5	2.0	2.6	2.3	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	n.a.	2.4	2.4	3.2	3.9	4.0
Output per Hour (% growth)	—	—	—	—	n.a.	1.8	3.2	2.5	3.4	3.8
Financial Markets										
T-bill Rate, 3-month (level, %)	3.42	3.44	3.22	2.97	3.36	2.86	2.54	2.01	1.37	1.01
T-note Rate, 10-years (level, %)	4.20	4.26	4.18	4.00	4.21	4.16	4.30	4.17	4.27	4.01
Federal Funds Rate (level, %)	3.62	3.50	3.26	3.04	3.46	2.94	2.47	1.95	1.35	1.13
Dow Jones Industrial Avg (index level)	10533	10554	10545	10487	10544	10382	10648	10362	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

Upcoming Economic Releases:

- **New Residential Construction: September 2005** [Release: Wednesday, October 19]
- **Existing Home Sales: September 2005** [Release: Tuesday, October 25]